

IRAN AT A GLANCE

The main economic indices in Iran - 2007

Based on the initial estimates, Iranian economy has attained an appropriate growth in 2007, comparing to the preceding year. Gross Domestic Product (GDP) in base price and fixed prices of the year 2007 has increased from Rials 446,880 billion (in 2006) to Rials 477,683 billion (in 2007), indicating 6.9 percent growth slightly up in comparison with the preceding year which had shown a GDP growth rate of 6.2%. Added value gained at different economic sectors in 2007 are:

Oil	Rls.47, 947 billion
Agriculture	Rls.66, 235 billion
Mines & Industries	Rls.125, 064 billion
Services	Rls.245, 758 billion
Imputed Charges	Rls. (7,321) billion
GDP	Rls. 477,683 billion

Source : Central Bank of Iran

In 2007, USD 97,401 million in export value vis-à-vis USD 56,582 million in import value of the goods resulted in a positive commercial balance for USD 40,819 million.

USD 81,764 million of the total exports is related to oil and gas and the remaining USD 15,637 million has been earned from exporting non-oil commodities.

In 2007, the liquidity level in the country has amounted to Rls. 1,640,293 billion with a growth rate of 27.70 % comparing to the preceding year. Above-mentioned amount consists of:

The bank notes & coins in hand	Rls. 79, 909.20 billion
Demand deposits	Rls. 455, 798.10 billion
Non-demand deposits (quasi Money)	Rls. 1,104,585.70 billion

It is worth mentioning that liquidity increase in the corresponding periods of the previous year was 39.40%.

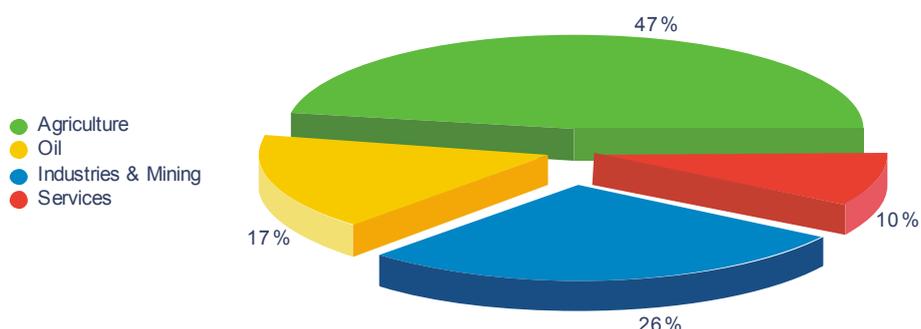
Exchange Rate and Inflation

The impact of exchange rate fluctuations on the prices and inflation is influenced by the main economic policies of the country. If the increase in exchange rate is accompanied by implementation of the expansionary monetary and fiscal policies, it will intensify the inflation, but when the increase in exchange rate is accompanied by contractionary monetary and fiscal policies, it will not have any noticeable effect on inflation and prices. Meanwhile, adopting a unifying policy is effective on both inflation and prices. Inflation in our country has been declared 18.4% in 2007.

GDP and its Growth

	2005	2006	2007
In current prices (billion Rials)	1,687,905	2,038,432	2,623,177
In current prices (USD bln)	187.10	221.60	292.40
Per Capita GDP (in USD)	2,719	3,143	4,090
Real GDP Growth(%)	5.7	6.2	6.9

GDP Breakdown



Foreign Reserves

In 2007, the amount remitted to FX reserves account resulted from surplus of oil revenues reached USD 38,026 million. To supply the government budget needs (USD 22,924 million) and grant facilities to non-government sections (USD 5,091 million), an amount of USD 28,015 million was withdrawn from FX reserves account. The above-mentioned changes led to an increase in FX reserves account up to USD 23,175 at the end of 2007, with 142.5% growth compared to the preceding year.

Credit Ranking

Iranian credit rank presented by "Fitch" is B+.

State Budget

The total resources of State Budget was Billion Rials 639,000 in 2007. Government's decision to adopt contractionary fiscal policies is made to restore the basic economic variables such as production growth rate, unemployment, interest rate (facilities profit rate), exchange rate, and inflation rate to their previous long-term trends, in other words, to stabilize the macro-economic conditions. The actual function of resources and facilities has had 5.2% growth from 2003 to 2007.

Subsidies Status in 2002 - 2007

During 2002-2007, Rials 220,000.3 billion has been paid by Producers and Consumers Protection Organization and treasury department of the Ministry of Economy and Finance Affairs as subsidy for the essential commodities, maintaining market balance and fulfillment of special commitments and compensating the difference of fixed prices of goods and services etc.

The nominal and real growth rate of subsidies and ratio of subsidies to GDP have reduced in 2006 and 2007 after noticeable leaps in 2002-2005.

Commercial Structure

In 2007, the non-oil exports as well as imports amounted to USD 15,637 million and USD 56,582 billion, with increases of 11.3% and 13.1% compared to the preceding year respectively. Consequently, the trade balance including oil and gas exports exhibited a surplus of USD 40,819 million. Through interaction with Foreign Service balance and transfer positive balance deficits of USD 7,199 million, this surplus resulted in USD 34,081 million surplus of current account in balance of payment. Nevertheless, non-oil current account balance had a deficit of USD 47,683 million, with a growth of 14.6% compared to last year deficit.

Balance of Payment

Million USD	2005	2006	2007
Oil and Gas	53,820	62,011	81,764
Others	10,546	14,044	15,637
Total exports	64,366	76,055	97,401
Total imports	43,085	50,020	56,582
Trade balance	21,281	26,035	40,819
Net services	(5,379)	(6,146)	(7,199)
Net money transfers	735	513	461
Current accounts balance	16,637	20,402	34,081

Source: Central Bank of Iran

Privatization - Privatization is an executive, financial and legal process, which is performed by many governments in the world to reform the economy and official systems. Privatizing of some giant state banks including BSI is of great decisions made after years in Iran in the field of privatization. In this respect and based on the agreements made by BSI with the Stock Exchange and Privatization Organization , first 5 pct and then the rest of BSI shares will be presented on the stock exchange for sale .

Meanwhile, 51% (consisting of more than 3 billions stock) of Ghadir investment company shares valued Rials 923 billion were sold on the Stock Exchange by BSI.

The measures taken in BSI can be generally explained as:

1. Participating in the groups formed for reforming the financial structure of the banks.
2. Participating in the groups formed for collecting the new articles of association for banks.
3. Completing the group formed for benefiting from the experiences of other countries in the field of privatization.

The results achieved by the above-mentioned groups are:

1. Investigating the banks claims from the government and re-evaluation of the assets, deciding the fate of debtor's accounts concerning L/Cs, reconciliation of figures in some accounts, pricing coins and jewels existing at banks, surveying the assimilation of provincial BSI branches, examining the pricing methods of bank stocks. According to the proposition of Auditing Organization and Ministry of Finance and Economic Affairs' confirmation, Bank under privatization, in order to make their accounts more transparent, have to identify the expenses of present value of commitment to Banks staff retirement fund.
2. Changing and approving the new articles of association for banks, gaining the agreement to present 5 percent of shares via the stock exchange.

BANKING INDUSTRY

Banking industry plays a remarkable role in starting and continuing the economic activities. In other words, nowadays, the banks are of the most important elements of economic systems in the world. All of these facts evidence the effectiveness of the economic institutions on the way each country is economically managed.

Totally, the present banking system and the financial markets in the world have developed close mutual relationship. In this case, it can easily be declared that by entering the arena of electronic banking, it will be possible to transfer millions of dollars from one place to another.

However, it is necessary to mention that decreasing the costs of transactions, employing new methods in banking management and offering the cheaper banking services, all in all, can be attained by the banking system in the long run.

Regarding the fact that nowadays the level of economic transactions between Iran and other countries has been remarkably grown in both exporting the oil and importing the goods , it is essential to our present banking system to establish a close relationship with the world money markets under a plan.

In this situation, the presence of foreign banks in Iran can create a kind of competition in the Iranian economy and direct the Iranian banking system towards a modern one. Another advantage of the presence of international banks in Iran is reduction of the interest rate in the country. This competitive atmosphere between banks can be effective in other similar cases.

Regarding the communiqué of article 44 and necessity to execute the privatization plans, the presence of the foreign banks in the financial frame of our country will result in more dynamism in this area. One of the consequences of this trend is that the banks will achieve a more appropriate position in the frame of the economy.